

FIRST REGULAR SESSION

SENATE BILL NO. 366

98TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR SCHMITT.

Read 1st time February 2, 2015, and ordered printed.

ADRIANE D. CROUSE, Secretary.

1887S.011

AN ACT

To repeal sections 166.410 and 166.435, RSMo, and to enact in lieu thereof two new sections relating to the Missouri higher education savings program.

Be it enacted by the General Assembly of the State of Missouri, as follows:

Section A. Sections 166.410 and 166.435, RSMo, are repealed and two new
2 sections enacted in lieu thereof, to be known as sections 166.410 and 166.435, to
3 read as follows:

166.410. As used in sections 166.400 to 166.455, except where the context
2 clearly requires another interpretation, the following terms mean:

3 (1) "Beneficiary", any individual designated by a participation agreement
4 to benefit from payments for qualified higher education expenses at an eligible
5 educational institution;

6 (2) "Benefits", the payment of qualified higher education expenses on
7 behalf of a beneficiary from a savings account during the beneficiary's attendance
8 at an eligible educational institution;

9 (3) "Board", the Missouri higher education savings program board
10 established in section 166.415;

11 (4) "Eligible educational institution", an institution of postsecondary
12 education as defined in Section 529(e)(5) of the Internal Revenue Code;

13 (5) "Financial institution", a bank, insurance company or registered
14 investment company;

15 (6) "Internal Revenue Code", the Internal Revenue Code of 1986, as
16 amended;

17 (7) "Missouri higher education savings program" or "savings program", the
18 program created pursuant to sections 166.400 to 166.455;

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.

19 (8) "Participant", a person who has entered into a participation agreement
20 pursuant to sections 166.400 to 166.455 for the advance payment of qualified
21 higher education expenses on behalf of a beneficiary;

22 (9) "Participation agreement", an agreement between a participant and
23 the board pursuant to and conforming with the requirements of sections 166.400
24 to 166.455; and

25 (10) "Qualified higher education expenses"[,]:

26 (a) The qualified costs of tuition and fees and other expenses for
27 attendance at an eligible educational institution, as defined in Section 529(e)(3)
28 of the Internal Revenue Code, as amended; and

29 (b) **Any expenses paid or incurred for the purchase of any**
30 **computer technology or equipment, as that term is defined in 26 U.S.C.**
31 **170(e)(6)(F)(i), or internet access and related services, if such**
32 **technology, equipment, or services are to be used primarily by the**
33 **beneficiary during any of the years the beneficiary is enrolled at an**
34 **eligible educational institution. Such expenses shall not include**
35 **expenses for computer software designed for sports, games, or hobbies**
36 **unless the software is predominantly educational in nature.**

166.435. 1. Notwithstanding any law to the contrary, the assets of the
2 savings program held by the board, the assets of any deposit program authorized
3 in section 166.500, and the assets of any qualified tuition savings program
4 established pursuant to Section 529 of the Internal Revenue Code and any income
5 therefrom shall be exempt from all taxation by the state or any of its political
6 subdivisions. Income earned or received from the savings program, deposit, or
7 other qualified tuition savings programs established under Section 529 of the
8 Internal Revenue Code program, **or refunds of qualified higher education**
9 **expenses received by a beneficiary from an eligible educational**
10 **institution in connection with withdrawal from enrollment at such**
11 **institution which are contributed within sixty days of withdrawal to a**
12 **qualified tuition savings program of which such individual is a**
13 **beneficiary** shall not be subject to state income tax imposed pursuant to chapter
14 143 and shall be eligible for any benefits provided in accordance with Section 529
15 of the Internal Revenue Code. The exemption from taxation pursuant to this
16 section shall apply only to assets and income maintained, accrued, or expended
17 pursuant to the requirements of the savings program established pursuant to
18 sections 166.400 to 166.455, the deposit program established pursuant to sections

19 166.500 to 166.529, and other qualified tuition savings programs established
20 under Section 529 of the Internal Revenue Code, and no exemption shall apply
21 to assets and income expended for any other purposes. Annual contributions
22 made to the savings program held by the board, the deposit program, and any
23 qualified tuition savings program established under Section 529 of the Internal
24 Revenue Code up to and including eight thousand dollars per participating
25 taxpayer, and up to sixteen thousand dollars for married individuals filing a joint
26 tax return, shall be subtracted in determining Missouri adjusted gross income
27 pursuant to section 143.121.

28 2. If any deductible contributions to or earnings from any such program
29 referred to in this section are distributed and not used to pay qualified higher
30 education expenses or are not held for the minimum length of time established
31 by the appropriate Missouri board, the amount so distributed shall be added to
32 the Missouri adjusted gross income of the participant, or, if the participant is not
33 living, the beneficiary.

34 3. The provisions of this section shall apply to tax years beginning on or
35 after January 1, 2008, and the provisions of this section with regard to sections
36 166.500 to 166.529 shall apply to tax years beginning on or after January 1, 2004.

Bill
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